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August 31, 2015

National Credit Union Association
Gerald Poliquin, Secretary of the Board
1775 Duke Street
Alexandria, VA 22314-3428

Dear Mr. Poliquin:

Service 1st Federal Credit Union (Service 1st) is a credit union located in Northeastern and Central Pennsylvania that services over 25,000 members with assets over $265,000,000. Service 1st appreciates the opportunity to provide our comments to the National Credit Union Administration (NCUA) on its proposed amendments to the member business lending regulation.

Service 1st is in a favorable position when it comes to Member Business Lending (MBL), as we have a mature portfolio with a very favorable track record of providing a quality loan product to our members. We have been underwriting MBL loans for over 15 years with only minuscule losses in this portfolio. As a result of existing NCUA regulations, throughout the years we have been forced to become creative in how we manage our MBL lending cap (12.25% of assets) by entering into numerous participations loans with other credit unions to assist us in maintaining compliance with the current NCUA regulations. Removal of this cap, would allow our credit union to function much more efficiently while allowing us to better service our members' needs.

Some of the proposed changes to the regulations will not be a dramatic change to our current lending strategies as we already have a very good risk rating method that we utilize and since our credit union now has a "low income" designation, the lending cap is currently a non-issue. But, as we all know, this could change if suddenly the NCUA were to determine that our low income designation should be removed for whatever reason. That would cause a hardship on our end as we would once again have to modify our lending and portfolio management strategies. This eventually translates into a reduction of loans to our members.

Service 1st has a seasoned MBL loan portfolio and we have expertise both on staff and through our CUSO when it comes to sound underwriting and management techniques. We are in favor of removing the 80% loan to value cap that is currently imposed on credit unions as we feel that it should be up to each credit union's board of directors to determine what ratios and parameters should be followed by their respective credit unions based on the strength of the borrower and the risk with associated with each specific loan request.

I would also recommend that credit unions be allowed to charge prepayment penalties as this is a significant disadvantage that we currently have when competing for business with other financial institutions not governed by the NCUA regulations. Often a member will not bring their business to the credit union, even if the rate/payment difference is substantial, because other financial institutions have large prepayment penalties that make it cost prohibitive to move the loan. Other financial institutions will also use this rule to their advantage and specifically target credit unions when building consolidation and refinance loan program strategies as they know that credit unions cannot impose costly prepayment penalties thus making it easier for them to persuade members to move their business to their financial institution. This makes long term asset liability management that much more difficult as matching our fixed rate loans to fixed rate deposits and investments can be interrupted at a moment's notice without any compensation from a prepayment penalty to offset the loss of the loan.

Any time a business is allowed to work within its own parameters of free enterprise, the end results are generally favorable. Too much government regulation can cause an unfair playing field for one side or the other. Removal of lending caps, eliminating the need for waivers from the NCUA and other unnecessary regulations will simply make it easier for credit unions to make loans to their members.

In conclusion, I want to commend the NCUA for considering the proposed amendments to the member business lending regulations. We feel this is a step towards allowing credit unions better service their member's needs.

Respectfully yours,

Jeffrey L. Balestrini
Chief Lending Officer